

Message Text

PAGE 01 STATE 097506
ORIGIN AF-10

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FM SECSTATE WASHDC
TO AMEMBASSY ABIDJAN
AMEMBASSY BONN
AMEMBASSY NAIROBI
AMEMBASSY LIBREVILLE
AMEMBASSY RABAT

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E.O. 11652: N/A

TAGS: BGEN,

SUBJECT: SEC CIVIL COMPLAINT AGAINST PAGE AIRWAYS

1. FOLLOWING STORY APPEARED ON PAGE 1 OF WASHINGTON POST
APRIL 14. BEGIN QUOTE SEC ACCUSES PAGE AIRWAYS OF ILLEGAL
PAYMENTS. BY JOHN BERRY, WASHINGTON POST STAFF WRITER.

THE SECURITIES AND EXCHANGE COMMISSION CHARGED YESTERDAY
THAT PAGE AIRWAYS INC. AND ITS TOP OFFICERS MADE MORE
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THAN DOLLARS 2.5 MILLION WORTH OF ILLEGAL PAYMENTS TO
FOREIGN OFFICIALS, INCLUDING A CADILLAC ELDORADO TO
PRESIDENT IDI AMIN OF UGANDA.

THE PAYMENTS, THE SEC SAID WERE MADE IN CONNECTION WITH
THE SALE OF JET AIRCRAFT TO ASIAN AND AFRICAN GOVERNMENTS.
PAGE, A ROCHESTER, N.Y., FIRM IS THE WORLD-WIDE DISTRIBUTOR
OF THE GULFSTREAM II EXECUTIVE JET MADE BY GRUMMAN CORP.

ACCORDING TO THE SUIT, FILED IN U.S. DISTRICT COURT HERE,

PAGE CONCEALED THE PAYMENTS BY MAKING "FALSE, INCOMPLETE AND MISLEADING ENTRIES" IN ITS BOOKS. IN ADDITION, THE SEC CHARGED, PAGE HID ALL OF ITS SIZABLE BUSINESS OPERATIONS IN UGANDA FROM ITS STOCKHOLDERS.

PAGE STOCK IS TRADED ON THE OVER-THE-COUNTER MARKET. IN A PRESS RELEASE, PAGE DECLARED IT WOULD FIGHT THE SEC CIVIL ACTION: "OUR DENIALS OF THE ALLEGATIONS IN THE COMPLAINT, WHICH ALLEGATIONS HAVE NO MERIT, WILL BE MADE IN COURT; OUR DEFENSE WILL BE MADE IN COURT, AND OUR VINDICATION WILL TAKE PLACE IN COURT."

IN ADDITION TO THE COMPANY, THE SEC SUIT NAMED JAMES P. WILMOT, CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF THE COMPANY AND OWNER OF 49.3 PERCENT OF THE STOCKS.

ALSO NAMED WERE HIS BROTHER, GERALD G. WILMOT, COMPANY PRESIDENT WHO OWNS 14.76 PERCENT OF ITS STOCK, DOUGLAS W. JUSTON, EXECUTIVE VICE PRESIDENT; ROSS C. CHAPIN AND T. RICHARD OLNEY, VICE PRESIDENTS, AND JAMES P. LAWLER, CHIEF FINANCIAL OFFICER.

THE SEC SAID THAT PAGE HAD SALES OF DOLLARS 251 MILLION
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BETWEEN 1971 AND 1976. DURING THAT PERIOD, THE COMMISSION ALLEGED, QUESTIONABLE PAYMENTS "WERE MADE IN CONNECTION WITH OVER DOLLARS 60 MILLION" OF THOSE SALES.

IN THE COMPLAINT, THE SEC DESCRIBED THE FOLLOWING TRANSACTIONS BETWEEN PAGE AND FOREIGN OFFICIALS: IN CONNECTION WITH A 1972 SALE OF DOLLARS 4.8 MILLION GULFSTREAM II THE REPUBLIC OF GABON, DOLLARS 200,000 ALLEGEDLY WAS PAID TO ALBERT BONGO, PRESIDENT OF GABON. THE SUIT SAYS THAT LAWLER MADE AN ENTRY IN PAGE'S BOOKS "FALSELY INDICATING" THAT THE DOLLARS 200,000 WAS A DISCOUNT.

IN 1972 AND 1973, TWO GULFSTREAM II AIRCRAFT WERE SOLD TO THE STATE GOVERNMENT OF SABAH, MALAYSIA. BETWEEN 1972 AND 1976, THE SEC CHARGED THAT DOLLARS 900,000 WAS PAID TO A COMPANY CALLED GAYA HOUSE SENDIRIAN BERHAD CONTROLLED BY DATUK HARRIS BIN MOHAMMED SALLEH, WHO WAS STATE MINISTER OF INDUSTRIAL DEVELOPMENT AND IN 1978 BECAME CHIEF MINISTER OF SABAH. THE PAYMENTS ALLEGEDLY WERE MADE THROUGH THUNDERBALL SHIPPING AND TRADING LTD. IN HONG KONG, AND DATUK HARRIS IS CHAIRMAN OF BOTH CONCERNS, THE SEC SAID.

PAGE SOLD TWO AIRCRAFT AND SPARE PARTS TO THE REPUBLIC OF IVORY COAST BETWEEN 1972 AND 1976. THE SEC ALLEGES THAT ABOUT DOLLARS 412,000 WAS PAID BY THE COMPANY TO AN

ACCOUNT IN AN UNNAMED WASHINGTON BANK IN THE NAME OF SOCIETE IVOIRIENNE DE DEVELOPEMENT ET DE FINANCEMENT (SIDF). THE SEC SAID THAT THE IVORY COAST AMBASSADOR TO THE UNITED STATES, TIMOTHEE AHOUA, "WAS AND IS SECRETARY OF SIDF." YESTERDAY, THE EMBASSY HERE SAID THE AMBASSADOR WAS OUT OF THE COUNTRY.

IN CONNECTION WITH THE SALE OF FOUR GULFSTREAM II JETS TO SAUDI INTERNATIONAL AIRLINES AND ONE TO MOROCCO BETWEEN 1975 AND 1977, THE SEC SAID THE COMPANY "UTILIZED LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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FOREIGN ENTITIES AS CONDUITS FOR THE PAYMENTS OF FUNDS TO THIRD PARTIES" TO DISGUISE THE RECIPIENTS AND THE AMOUNTS. "THIS CONDUCT HAS, AMONG OTHER THINGS, LEFT OVER DOLLARS 5 MILLION OF THE PROCEEDS OF GULFSTREAM II SALES UNACCOUNTED FOR," THE SEC SAID.

THE SEC ALSO ALLEGES THAT SOME OF THE DEFENDANTS MADE FALSE STATEMENTS TO THE EXPORT-IMPORT BANK TO SECURE FINANCING FOR SOME OF THESE SALES.

THE SEC SAID PAGE STOCKHOLDERS WERE NEVER TOLD THAT BEGINNING IN 1975 AND CONTINUING TO THE PRESENT THE COMPANY HAS SOLD MORE THAN DOLLARS 15 MILLION WORTH OF GOODS AND SERVICES, INCLUDING A CARGO PLANE, TO THE DICTATORSHIP OF UGANDA, AND SET UP A SUBSIDIARY IN THAT COUNTRY.

MOREOVER, THE SEC SAID THAT PAGE RECEIVES "SUBSTANTIAL AMOUNTS OF CASH" FROM UGANDA, BUT IT ADDED "THE RECEIPTS AND DISBURSEMENT OF THESE FUNDS ARE NOT RECORDED IN THE BOOKS AND RECORDS OF PAGE".

AN ARTICLE IN THE APRIL 9 ISSUE OF THE NEW YORK TIMES MAGAZINE SAID THAT PRESIDENT AMIN MADE PAGE'S SALES REPRESENTATIVE "AN HONORARY UGANDAN CITIZEN AND APPOINTED HIM HIS PERSONAL REPRESENTATIVE IN THE U.S. WITH THE RANK OF HONORARY CONSUL AT LARGE."

THE SEC COMPLAINT NOTED WITH AMPLIFICATION THAT "PAGE GAVE AND DELIVERED TO (AMIN) A CADILLAC ELDORADO CONVERTIBLE AUTOMOBILE."

THE SEC ASKED THE DISTRICT COURT TO ENJOIN THE DEFENDANTS LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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FROM CONTINUING THEIR ALLEGED VIOLATIONS OF FEDERAL

SECURITIES LAWS AND OF THE ACCOUNTING PROVISIONS OF THE
FOREIGN CORRUPT PRACTICES ACT OF 1977,

THE COMMISSION ALSO ASKED THE COURT TO APPOINT A SPECIAL
OFFICER "TO INQUIRE INTO AND EXAMINE THE BOOKS AND
RECORDS OF PAGE." END QUOTE.

2. PRESS GUIDANCE FOLLOWS. THIS ITEM WAS NOT RAISED
AT APRIL 14 PRESS BRIEFING, BEGIN QUOTE:

QUESTION: ACCORDING TO A STORY IN THIS MORNING'S
WASHINGTON POST, THE SEC HAS JUST FILED A CIVIL COMPLAINT

ALLEGING VIOLATIONS OF THE ANTI-FRAUD PROVISIONS OF THE
SECURITIES AND EXCHANGE ACT OF 1934. AMONG THE
RECIPIENTS OF MONIES NAMED IN THE ACTION ARE ALBERT
BONGO, PRESIDENT OF GABON, AND THE IVORY COAST AMBASSADOR
TO THE U.S... CAN THE DEPARTMENT COMMENT ON THIS OR
PROVIDE ADDITIONAL INFORMATION CONCERNING REPORTED
INVOLVEMENT OF FOREIGN OFFICIALS?

ANSWER: NO. WE ARE, OF COURSE, AWARE OF THE CIVIL
COMPLAINT FILED THIS WEEK. HOWEVER, ANY QUESTIONS ABOUT
IT SHOULD BE REFERRED TO THE SECURITIES AND EXCHANGE
COMMISSION. WE ARE NOT IN A POSITION TO COMMENT ON THE
ACTIVITIES OF AN INDEPENDENT REGULATORY AGENCY SUCH AS
THE SEC.

QUESTION: ARE THERE ANY IMPLICATIONS IN THIS FOR OUR
BILATERAL RELATIONS WITH THESE COUNTRIES OR WITH THE OAU
GIVEN PRESIDENT BONGO'S POSITION?

ANSWER: I WOULD ONLY COMMENT THAT THE FOREIGN OFFICIALS
MENTIONED IN THE ARTICLE, ACCORDING TO OUR
INFORMATION, HAVE NOT BEEN NAMED AS DEFENDANTS. MOREOVER,
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THIS IS A CIVIL, NOT A CRIMINAL ACTION. FINALLY, AS WE
UNDERSTAND THE SITUATION, THIS CIVIL ACTION IS LIMITED TO
A REQUEST BY THE SEC IN BEHALF OF THE STOCKHOLDERS FOR AN
ACCOUNTING BY PAGE OF PAYMENTS TO GOVERNMENT OFFICIALS
AND EMPLOYEES. END QUOTE.

CHRISTOPHER

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